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THESIS

Type of Merchandise Control Needed in a Small Men's Wear Store

Manuel Cutler
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CONTENTS

TYPE OF MERCHANDISE CONTROL NEEDED IN A SMALL MEN'S WEAR STORE

	Page
Introduction	4
Part I., Classifications of Small Men's Wear Stores	7
Part II., The Purpose of Merchandise Control	14
Part III., How to Organize a Merchandise Control	22
The Dollar Control Plan	22
Unit Stock Control	29
Part IV., How to Use a Merchandise Control	35
Dollar Control	35
Unit Stock Control	42
Part V., Control Plans of Actual Stores	52
Department Stores	53
Chain Specialty Stores	75
Specialty Stores	80
Small Men's Wear Stores	84
Part VI., Conclusion	85

TABLE OF CHARTS

	Page
Six Months Plan	39
Panel Card- Front Side	56a
Panel Card- Reverse Side	56b
Clothing Record-- On Order	57
Clothing Record-- On Hand	58
Daily Report On Sales	61
Tally Sheet	62
Price Line Sheet	64
Stubs and Price Tickets	65
Recapitulation Of Stock	67
Sales Check	87
Shirt Classification Sheet	90

INTRODUCTION

Records of many years show very clearly that one of the main causes of failure in the business world is a lack of experience and sound information. Educational institutions and modern business men are trying to remedy the situation.. Their efforts have greatly aided the big businesess, but; unfortunately, as yet the small business has been frightfully ignored. Yet, millions of individuals depend upon small business for their very existence. Thus, the small men's ready-to-wear retail stores, the subject of my discussion, have suffered many failures because they lacked practical information on the operation of the stores. Several books have been published discussing this problem, but they did not take into consideration all aspects of operating an apparel store.

Many of these small men's ready-to-wear retail stores have been trying to operate for many years without any kind of control over their stocks. Many have attempted to manage without any systems or records. These individuals have been risking their investments, because they have been operation on guess work and not on facts. Because they have not kept a control telling them the simplest things--such as what stock is on hand, what stock is on order, and what has been sold in a given period of time--many of them have suffered sever losses; and, should this situation continue,

many more will fail. The retailer should have a model system to follow; and, if he has one, he should be able to analyze it. It is necessary to find the control plan that can be used in all small men's ready-to-wear retail stores, a plan which would be the basis of operation. And that is my problem.

The process of organizing such a plan is indeed difficult, since so little planning of this sort has ever been done. Since new knowledge of any kind can only be acquired by using previously acquired knowledge as a basis, I can create a new system only by considering old ones. Thus, I can approach my subject only by considering the systems which have been previously constructed—especially those which have been recommended for the bigger businesses. So, before any recommendations can be made, it will be necessary to analyze those plans recommended and used by large department stores and the few systems set up for the specialty stores and other small retail stores.

Merely theorizing does not guarantee success for many reasons. A system applicable to conditions of a larger business may be inefficient when adapting it on a smaller scale. Then, too, many ideas which have been expressed on paper have been found to be too idealized when put into actual use. Also, a system is useless unless the manager interprets it to apply to his own particular business and its problems.

My problem will be divided into six main sections.

The first will discuss the type of men's wear store which can be aided by a control system. Part two will explain the purpose, aims, and shortcomings of merchandise control. The following section will tell how to organize the merchandise control, using the easiest possible methods. Then there will follow a discussion of control systems which are actually in use in retail stores. The concluding section is perhaps the most important of all, since it will show the applicability of the systems described in the other sections to the small men's wear store. It will also analyze all other possibilities.

It is my hope that this thesis will be of value in establishing successful small ready-to-wear stores, and so, in its own small way, prevent economic waste.

PART I.

CLASSIFICATIONS OF SMALL MEN'S WEAR STORES

Before trying to find a solution to the problem, let us define a small men's wear store. The U. S. Department of Commerce in their manual Establishing and Operating an Apparel Store says, "A small men's wear store is a store having less than $50,000 in sales." In my efforts to find such a store, I discovered that this type of establishment generally does not exist in the outskirts of a city. Those that do exist do approximately $50.00 a day. With the average sale being around $5.00, this store makes about ten sales a day.

Upon interviewing various individuals to find out whether or not the buyers of these local stores know what is on hand, what has been sold, what is on order, etc., I learned that the buyers, who in most cases were the owners also, find it very easy to keep a check on their merchandise. They know what is selling and what is not selling for the following reasons:--

1) They are on the floor at all times.

2) The number of sales is so small during the week that it is easy to keep track.

The buyer in this small store buys only the basic merchandise, mostly men's furnishings. Furnishings generally sell faster than men's clothing. The buyer knows the reorder period of each manufacturer and approximately how much of

each type of merchandise he sells each week. If the merchandise does not sell, he usually takes a markdown and does not reorder this merchandise again. He knows from experience how each type of merchandise will sell, and he buys accordingly. He knows that his market is affected by the fact that people outside his district who wish to purchase men's clothing will go to the nearest town or city. There they can shop around and choose from a greater variety of goods. The question arises, "What if this store buys a great variety of merchandise? Will the people outside the store's district come into this store's district to shop?" This author does not believe so; for if an individual is going outside his district, he will want to shop from one store to another, preferring a thickly settled business area to one where there are very few stores. Then, too, the person who is going to shop around usually shops only for men's clothing, but very rarely shops for men's furnishings, as the styles in men's furnishings are about the same. If this store takes in more merchandise in the men's clothing line, it will have to forego some of its basic stock in the men's furnishing line. In so doing, sales in this department will lag. Then, the buyer cannot expand his men's clothing and men's furnishings departments, as he generally does not have the capital with which to do so.

The store cannot cut its prices on nationally known merchandise, as the markup will not be large enough to keep him in business; and even if he does lower his prices

to gain a larger number of customers, it will usually be the people living in the vicinity of the store that will buy. The outsiders who are looking for cut prices will usually go into town in the basement of some store to buy the merchandise. They will prefer the regular men's wear department if they want quality merchandise and service plus the backing of the large department store.

The trouble with this kind of small store is that it is too close to the city and, therefore, does not get the business from the surrounding towns; for people will either shop in their own vicinity or go into town to shop. The sales are so few that the buyers of these stores know from first hand knowledge just what is being sold, and they can buy accordingly.

Expansion in these stores, even if the owner has enough money, is out of the question, as the store itself is not large enough to accommodate more merchandise. If more merchandise were brought in, it would clutter up the place; and this author believes that sales would be lost, because goods could not be located easily. Furthermore, the store's appearance would be unattractive.

It is, therefore, this author's conclusion that, in a small men's wear store doing less than a $50,000 a year business, no formal control system is necessary for the following reasons:

1) The buyer is on the floor at all times; and,

therefore, he knows customers and merchandise.

2) Sales each day are too few to keep extensive records.

3) Sales will not be increased by increasing merchandise; as people in surrounding districts would either prefer to shop in their own district where there are similar stores, or they would rather go into town to shop where there is more variety and where other errands can be attended to.

4) More merchandise cannot be taken into a store not large enough to allow for such expansion.

5) Expansion is also out of the question, as there is usually not sufficient capital with which to risk enlarging without assurance of the result.

Since the store, for the above reasons, does not need any formal control over the stock, that type of store will be eliminated from a further discussion in this thesis. This thesis will concentrate on small men's wear stores having sales volume of between $50,000 and $200,000. These stores are located in small cities or towns or outside the shopping districts in large cities. They have the room and the capital to expand a little, if the occasion arises. These stores have no set clientele like the very small men's wear store, but rather depend upon transients. They rely upon the reputation of the store, its merchandise, and the store advertising; also, of course, upon the attractiveness of the store.

In this type of store, the daily sales run from

$200.00 to $600.00, with the average sale about $20.00. This is due to the fact that the emphasis in these stores in on selling the goods of high unit price, such as suits, topcoats, and overcoats.

These stores have four, five, and sometimes six salesmen on the floor, besides the buyer. In stores of this type, some sort of unit control system is necessary for:

I) The buyer cannot keep touch with every sale, because so many people are selling.

2) The customers are from so many different localities or parts of the city that it is hard to find out who the regular clientele is.

3) A greater variety of merchandise is needed, so that the buyer, if he has no records, has to take a constant count if he wishes to know what merchandise is on hand and what has been sold.

4) The buyer also has to know what is on order and incoming. There are so many articles on order or incoming that a constant record must be kept if he wishes to keep accurate records. In the case of the very small men's wear store, there are not too many goods that are on order or incoming. A mental record, therefore, can be kept.

Though this author believes that a simple unit control system should be kept in small men's wear stores doing a sales volume of $50,000 to $200.000, he feels there is an exception to the rule. This exception is the store that is

run by one family. Whether or not it be the immediate family or relative is not important. In this type of store, each member is assigned a section where he or she has full jurisdiction. That member is the buyer for that department and also the salesman. With the store broken up into a number of small departments, the owner does not have to keep extensive records, except for goods received and sales. This author cites this exception, as he has encountered such a store in the downtown district of Boston. This store is doing a $500,00 business a year and has no records, save for those stated. This type of project can be very successful, for the owner assumes that the members of his organization are honest and can be depended upon. This owner has given the working members a share in the business, which, of course, is an incentive to produce.

In the other small men's wear stores; however, this system cannot be used for these reasons;

1) The buyer cannot keep a constant check on the salesmen to see that they are doing their job.

2) The salesmen are only interested in making a sale and will not be bothered to keep a check on what type of merchandise is being sold.

3) The salesman are apt to forget what business they did by the end of the day.

It is this type of store that needs some sort of a control system, for the buyer here, because of his lack of records, will never know the following:

1) What is on hand.

2) What is on order.

3) What has been sold.

4) What is incoming.

5) Which merchandise is selling the fastest.

6) What style is selling the fastest.

7) What should be reordered.

8) What should be marked down.

9) What is the best price line.

10) What colors are selling best this year.

It is my opinion that a unit stock control is needed in a store of this size. The stock control has to be simple and yet complete; for the buyer is in charge of the entire store, and he needs to have the information as compact as possible, so that an analysis can be made quickly. A dollar control is not necessary, for a buyer computes this opening stock by units, the total of which gives him the dollar figure. He reorders according to his needs.

PART II.

THE PURPOSE OF MERCHANDISE CONTROL

The purpose of merchandise control is to keep stocks balanced according to sales by items. (1) In order to achieve this purpose, an adequate sort of system has to be developed. This system is, however, not the control. A system is an organized method of assembling and recording significant merchandising facts. The control enters into the picture when these facts are interpreted and used. The system, therefore, is a means to an end, not an end in itself. A store can have an excellent system; but, if the buyer can not interpret the records, the system is useless.

A properly operated merchandise control will do the following things: (2)

1. It will keep stock properly balanced. Goods that are selling the best will be stocked to a greater extent than the other goods. Goods that are not selling at a rapid rate will not be stocked very much. In balancing stock, great consideration is given to facts such as amount of sales per week, the delivery date, etc. Many sales have been lost because departments have been doing 70% of their business on 30% of their stock.

2. It will avoid excessive markdowns. By knowing what the customers want to buy and how much of it they want,

(1) Merchandise Control Manual, Merchandise Managers' Division of N.R.D.G.A.
(2) ibid.

needless markdowns can be avoided.

3. It will increase the rate of turnover. By knowing what and how to order according to the customers' wants, the store's sales can be increased; and so the rate of turnover can be increased. The rate of turnover, however, may be low if the manufacturer can fill only one order during a season, as is sometimes the case in men's clothing.

4. It will encourage discrimination in buying. Knowing the customers' likes and dislikes will govern the purchasing of certain goods. The result will be less waste in buying.

5. It will keep stock clean and fresh. This is accomplished by knowing the rate of sales and the reorder delivery period.

An important thing to be remembered in any control system is that the system is merely a guide and should be tempered with the buyer's knowledge. No buyer should be forced to follow a system, and he should not have to adhere to records. He should be allowed to alter the recommendations in the light of other facts, such as past and present conditions. It should be emphasized that no matter how good the system is, the buyer should be able to interpret and analyse it.

Carl Fast has summarized the purpose, aims, and shortcomings of control under twenty captions. They include nearly everything that can be said regarding merchandise control. (1)

(1) Merchandise Control Manual, Merchandise Managers' Division of N.R.D.G.A., pages 8 - 11.

Namely, I quote:

"First: 'Control' means direction of action, not records, figures, visible indexes, 'checking list', 'perpetual inventories', or 'stock books'. Stock control compels logical action, on stock and sales facts. The value of knowledge lies in its application; and no matter how great is an array of facts, figures and records, the results obtained will depend upon their correct interpretation and use. Stock control is not provided by merely giving buyers facts and figures and leaving them to be interpreted, or ignored - as the buyers choose.

Second: To control stock we must control orders, for stock is merely a consequence of orders. Only by compelling correct orders guided only by conditions of stock is action taken too late. Such information as stock gives is secondary except as it may measure sales by stock balances.

Third: In stock control goods on order must be considered in the same category as goods in stock, for they are provided, and the same need can not be provided for twice. Compelling the punctual and correct shipment of goods ordered is a routine step in sound business, quite apart from stock control.

Fourth: Stock control governs the quantity currently provided of each item as measured by time, by its current speed of selling, and the quantity provided at each replenishment must change with each observable change in its selling speed. Governing this year's quantity by last year's sales-speed or by

assuming any 'average' sales-speed will not provide correct stock control.

Fifth: True stock control governs the quantity of each needed size, color, price, odor, flavor, scent or maintained design of each article as a 'stock item', a reorder need. If any two sizes, colors, etc., can be satisfactorily substituted for each other, one of them is not needed in stock. But every needed size, color, etc., must be reordered when it is low, not after a lot of other sizes, colors, etc., have also sold 'low'.

Sixth: It is impossible to determine when any items are 'low', except by relating three facts: (a) how long it will take for delivery or reorder; (b) how fast it is now selling; (c) how many pieces are now left on hand and on order.

Seventh: No item sells at any constant speed. Customer demand fluctuates considerably quite apart from 'season' items. Hence, the most recent evidence of an item's sale-speed is the safest evidence on which to control its supply, modified only when considering strictly 'seasonal' or 'promoted' items, specially priced and advertised. Actually, these latter represent only a small minority of the items carried.

Eighth: An item is logically 'low' on the day when it has sold down to a quantity which, at its present sales-speed, will last during the time usually required to get the delivery of a reorder, plus a reasonable surplus to meet an unexpected spurt in sales or a possible delay in delivery.

Ninth: In calculating needed quantites the differences in delivery periods can best be considered in weeks, as 'one week delivery,' 'two weeks,' etc. But the delivery period planned must provide for all the processes of writing and mailing the order, its time in reaching the shipper, its 'picking', packing and shipping, its time in transit, the receiving and checking-in, the pricing and price-marking and getting the goods 'on the shelf'. If obtained from another city, no matter how near, a minimum period of two weeks' delivery must be allowed for, with longer periods for more distant points, by freight, etc.

Tenth, Reordering or replenishing any item or assortment of items at stated times or periods is illogical, since no item sells at a constant speed, nor will any assortment of items, like a flock of sheep, all reach the same (low) point at the same time, Such 'periodical' reordering must cause some items to lose sale by being 'out', because reordered too late, while others must be over-stocked. If 'periodical' replenishing is necessary, the periods should be no longer than one week, or lost sales are certain. Further, fixing a stated period between reorders artificially but actually increases the 'time of delivery' and compels heavier stocks, in determining an item's 'low' point.

Eleventh: Planning and maintaining fixed 'model stock' quantities of the respective items is equally illogical, since every item's quantity should, as far as possible, change in correct ratio to any change in the selling-speed. Planning logical 'assortments' is indispensable to good merchandising, that is,

planning the lines, ranges and sizes of the items to be carried, but the quantities to be carried of each must be governed solely by current sales-demand.

Twelfth: An item that is not to be reordered cannot be controlled. Annual import orders, 'once-aseason buys' or 'special sale' purchases are pure speculations to be guided only by the data available from the previous speculation. This also applies to excess quantities of 'regular' items purchased for Christmas or Easter selling.

Thirteenth: The word 'staple' is a misleading and relative term and should not be used in stock control. An item is 'maintainable,' (reorderable) or not. How many times it will be reordered will be determined only by customer-demand.

Fourteenth: Items which must be purchased in any artibrarily large quantity to 'get a price,' a 'quantity discount,' in a 'minimum shipment,' in 'case-lots' or fixed assortments, cannot be truly controlled nor carried in 'balanced' stocks. Buying what we don't need in order to get what we do need defeats the purpose of stock control.

Fifteenth: 'Quantity discounts' are rarely profitable. If the extra quantity which must be purchased slows down an item's normal turnover speed as much as one third, the extra discount must exceed ten per cent in order to show a real savings. This is demonstrable by plain arithmetic, measuring 'gross income' or gross profit lost on the merchandise investment compared to the discount earned int the longer period, with the bigger stock.

Sixteenth: No matter how slowly an item sells, it is impossible to maintain it continuously in stock if it is permitted to sell lower than two pieces before being reordered. For one subtracted from one leaves nothing, no matter how seldom subtracted. It is more logical, and better merchandising to 'sell from sample,' taking special orders, than to 'stock' a single piece, or 'one-on-size.' Any article too hazardous to carry continuously is probably too hazardous to carry at all.

Seventeenth: Real profit comes from continuously supplying continuously wanted items through timely and correct reorders. Profits come chiefly from reorders, markdowns from 'first busy.'

Eighteenth: Even in constantly changing style merchandise like ready-to wear or millinery, there is something which must be constantly reordered. It is price line, major or general color or style, and size. These are assortment characteristics and must be continuously and correctly maintained, even though the individual characteristics, or minor design detail, may change with every reorder--and generally do.

Nineteenth: No system giving only figures and facts of dollars, groups or classifications, each figure representing several separately needed items, can provide or guide stock control. We must take proper care of the needed items; then the totals, of groups, classifications, or the dollars they represent, will take care of themselves. Every item needed in an assortment must be acted upon when action is needed to keep it in stock,

also every item not needed, as soon as it is shown to be unnecessary.

Twentieth: A true system of stock control must comprise two things. First: the simplest, easiest cleanest means possible for showing, regarding every needed item, its present sales-speed and the quantity now in stock and on order, whenever this knowledge is needed, which is only when the item is 'low' or when it is 'slow.' Second: the simplest possible means for interpreting from these figures, the correct action to be taken, which interpretation must govern all the buying, regardless of opinions or previous customs in buying. Only other known facts should be permitted to offset this correct interpretation of stock and sales facts."

PART III

HOW TO ORGANIZE A MERCHANDISE CONTROL

Merchandise control can be broken up into two phases. One is planning by means of dollars and percentages; the other is planning by units, that is, number of items in each range by price, size, style, colors, type, etc.

In planning by dollars there are two methods used. One is the cost method where the inventories are taken at cost and the purchases are accumulated at cost; the amount and percentage of markup on purchases are not calculated. No markdowns are recorded, and the stock on hand and gross profit are not known until another inventory is taken.

The other method is known as the retail method. In this system, inventories are taken at retail; the purchases are accumulated at cost and retail; theamount and percentage of markup on purchases are calculated at retail per invoice and accumulated for all purchases for the month; markdowns are recorded at retail; and the end of the month stock at retail and the gross profit are calculated monthly.

From the description a ove, it can be seen that the dollar plan of control is a budget. The budget or dollar planning requires the buyer or the merchandise manager to analyze past performances and make decisions on operations which have proved successful and those operations which have proved unsatisfactory. The budget or dollar planning requires the buyer to project his operations into the future and to set down

standards of performance which, it is hoped, will give a net profit. The net profit is planned to give a larger net profit than the preceding year. This does not mean that there will be a uniform increase in sales and profit for each line; but that there will be an overall increase in sales in most lines, thus resulting in an overall increase in profits.

It must be remembered also that the dollar plan is just a plan. It is not a guarantee, but rather an estimation of what will happen. Usually, the plan has to be altered several times during the season, depending upon the conditions that exist in the market.

The Budget

In planning the budget, the following items have to be considered: (1)

1. Sales - This represents the volume of business minus customers' returns. In other words, this is total net sales.

2. Inventory - Inventory is a record of the merchandise that is on hand. This record can be obtained through a physical count, which is usually taken after the first six months and at the end of the year. It can also be figured on the basis of the retail method - by the use of the book inventory. The book inventory is a record attained from invoices, and this record is used to show both the kind and amount

(1) Establishing and Operating an Apparel Store, U.S.Dept. of Commerce, Manual Series No. 32.

of merchandise on hand, on order, and sold. This record is brought into agreement with the physical count by assuming that the differences are either shortages or overages in stock.

3. Turnover - This represents the rate at which stock is sold and replaced over a specific period of time. There are two methods of getting the turnover figure. One is the retail method; the other is the cost method. In the retail method, the figure is obtained by dividing sales by the average retail stock. In the cost method, the figure is obtained by dividing the cost of the goods sold by the average inventory at retail. (The average inventory is obtained by adding the beginning inventory and the ending inventory and dividing by two. If the inventory is taken every month, the average inventory is obtained by dividing the sum of the year's inventories by thirteen.)

4. Initial Markup and Markup Percentage - The initial markup is the difference between the retail price and the total cost of the goods. The markup percentage is obtained by dividing the markup by the retail price of the goods.

5. Markdown and Markdown Percentage - The markdown is the amount of reduction of the retail price. The markdown percentage is obtained by dividing the markdown by the sales figure.

6. Cumulative Markup - This is the markup on all purchases for a given period of time.

7. Gross Margin - The net difference, expressed in dollars, between the cost of the goods sold (after deducting purchase discounts) and the net sales gives the amount of gross

margin.

8. Gross Margin Percentage - The amount of gross margin divided by sales is the margin percentage.

In organizing a plan, it must be remembered that it should be just as simple as possible. Some of the plans used by department stores are: (1)

1. The six month plan. There are two major purposes in setting up the six month plan. The plan helps the buyer regulate his purchases for the different periods, and it gives the controller an idea of the amount of revenue which may be expected from each department of the store and the amount of working capital which each department will need during the period. In this plan, the major figures to be used as a guide for the operation of a department are:

a. Sales.

b. Stocks at the beginning and at the end of the period.

c. Percent of the initial markup.

d. The percent of the markdown.

By using this plan the retailer can see how this year's figures compare with last year's, and to see whether or not the figures for this year have to be revised. This is a plan where co-operation from the buyer, the merchandise

(1) Fri, Retail Merchandising (New York: Prentice-Hall, 1925),

manager, and the financial or control division is needed for success; this plan is evolved to balance revenue against expenditure. Therefore, all facts must be known before the budget can be put into effect.

2. Planned Sales. In planning sales, the following factors should be carefully considered:

a. The normal rate of growth of the business. This is obtained through past experiences.

b. Allowances for local or internal conditions which may affect the sales of the department. In some stores the management deducts a percentage factor of safety from the planned sales before using them in the operating budget. This practice defeats the major purpose of a merchandise plan, which is to lay down beforehand, as nearly as possible, the expected operation of a department or store. The planned sales for the year should be a careful estimate based upon the rate of growth established in previous years, and modified by a study of the immediate situation in wholesale and retail trade and the internal condition of the department or store. (1)

c. The adjustment of the estimate for the period that it covers in accordance with the prospective conditions in general business.

d. The experience of the present year to date under the effect of general economic conditions.

(1) Fri, Retail Merchandising (New York: Prentice-Hall, 1925).

e. The change in the general level of prices or the average price per unit of merchandise. (A lower volume of sales caused by lower prices can be compensated by an increase in the number of units sold.)

Some stores plan their sales the same as the year before. Then, if sales do increase, the open-to-buy is simply increased by that amount. This insures a reserve of purchase allotment and also prevents an overstocked condition.

3. Planned Markdowns. In planning markdowns, the amount and percentage of markdown for a period depends upon previous experience, merchandise policy, upward or downward trend of prices, and the general condition of the stock on hand as the result of careful buying and judicious pricing. Markdowns are planned, because a decrease in the amount of markdowns offers one of the best means of increasing the net profit figure; and planned markdowns encourage buyers to study past performances. Studying past performances leads to an analysis of the causes of the markdown and how these causes can be remedied.

4. Planned Stock. One of the main reasons why markdowns take place is that the buyers have overstocked at certain periods of the season. If the stocks were planned and purchases made accordingly, markdowns would be decreased and stocks would be turned over more readily. If the buyer analyzed his previous stock, he would find out when to stock heavily and when to stock lightly. Of course, there are some

other major factors which the buyer has to analyze, for these factors contribute to the success or failure of the store. Some of them are:

a. The general economic condition of the community.

b. The possibility of quick style changes which will leave stocks of undesirable merchandise, and, in turn, leave small purchasing power for the new style development.

c. The possibility of quick price change and sudden breaks in the market caused by reduction in the cost of material, labor, or surplus stock unloaded by manufacturers and wholesalers.

d. The changeable weather.

These are some of the plans used by stores in getting the regular budget. Some of these plans are in effect for a year; and some, for weeks. In planning by years, the following items are taken into account: (1)

a. Sales by month.

b. Rate of stock turnover for each month of season.

c. Percentage of markups on purchases for the season.

d. Percentage of markdowns to sales by the month.

Some stores find it more advantageous to plan by weeks for they can adjust their plans more easily for actual performances by comparing with the planned figures four times a month. It shows the following: (2)

(1) Fri, Retail Merchandising (New York: Prentice-Hall, 1925).
(2) ibid.

a. The amount of money that departments plans to spend.

b. The approximate gross margin or maintained markup.

c. The sales or income.

In planning by dollars, it should be remembered that the plan only represents hopeful accomplishments and not results. It is only an ideal, a goal to reach for.

Unit Stock Control

In planning by units, a record is kept or a summary is made of sales, purchases, and stock on hand for each item of merchandise; but this is only half the control. As Arthur W. Einstein has said in defining Unit Stock Control, "I like to think of Unit Stock Control as a method of assembling departmental statistics, and then using the information with judgment and imagination." (1) In other words, no matter how many records a buyer might have or how good the stock system is, it is only as good as the buyer himself or the one who interprets the records.

A unit stock control system should be as simply as possible; for, especially in a small men's wear store, the cost of operating the system should be as low as possible. The important facts should stand out; one should not need to grope to find them.

The simplest type of unit control system records what stock you own, what you have on order, and what you have sold

(1) Arthur Einstein, The Story of Unit Control (New York: Nat'l Retail Dry Goods Assn., 1947) page 1.

in a given period of time. The system consists of the record itself, sources of information for the record, and summaries of this record. The record itself may be of a summary nature; or it may consist of classifications, price lines, color, size, material, sales, and stock. Planning purchases by items shows the amount to spend for each classification of merchandise.

A stock control is used for the following purposes:

1. To indicate what merchandise to reorder, in what quantity, and at what prices.

2. To bring attention to merchandise that has good sales promotion and profit possibilities.

3. To check detailed phases of changing demand, such as color and price line.

4. To keep assortments right for customer selection.

5. To reveal and control slow selling items in time.

6. To call attention to merchandise which is returned to stores, noting who the manufacturer is.

Now let us turn to organizing a control. The first step in organizing a unit control system is to decide what is needed in the control. If, for instance, the control is in the pants department, we may need to know all the price ranges and sizes; whether they are boys' or men's pants; whether they are short, regular or long; what material they are made of, etc. The first step, then, is the merchandise classification,

getting all the information that is needed to make the records complete.

The next step is collecting sales data to find out what stock has been sold and what stock is still on hand. There are four different methods that can be used in obtaining this information. It can be obtained either by

1. A stub system.
2. A tally system.
3. A record of inventory and receipts.
4. A reorder tickler system.

Each system will now be explained briefly.

1. The Stub System.

The stub system is nothing more than a record of the articles sold. It does not tell the stock on hand or the stock on order. The stock on hand and the stock on order are recorded on a card or a sheet of paper having enough room to record the sales. The sales record is secured by removing the stubs from the price ticket on the merchandise when the article is sold.

The stub system is usually found in a department having a fairly high average sale. It is not good in a department having a large volume of sales with a low average sale, for the increased number of stubs require too much time to count. Also, if the salesperson is very busy, he may forget to take the stub off the ticket, or he may lose it and thereby

lose the record of that article. A fairly constant checking of the inventory is necessary to make sure what has been sold and what is on hand.

2. The Tally System.

A tally is a piece of paper or an envelope used by the sales person for the purpose of recording sales. When the envelope is used, the duplicate sales slips are put inside as a further check. Usually, the classification, the style number, the amount, and the price are recorded.

The tally system can be used in practically any department as long as price tickets are on the merchandise. It is used extensively in departments having low or medium average sales.

A great advantage is that the buyer or the salesperson can tell at a glance what items have not sold. Also, by this means, the buyer can keep a record of whether or not the salespeople are improving. If a salesperson is not improving, the buyer can investigate to find out why.

3. Stock Count System.

The tally system is used as long as price tickets are on the merchandise; therefore, a system has to be devised to handle the merchandise that does not have price tickets. The stock count system serves this purpose.

This is the system used by most chain stores. This system is used to best advantage when securing a control record

on items that are very low in price and sell in great quantities. The items should be stable in character.

To secure the sales record on this system, and inventory has to be taken, whether it be weekly, monthly, or otherwise. The record of sales is secured between two inventory periods by using the following formula; Inventory of an item at the beginning of a period plus receipts of the item into stock during the period minus inventory of the item at the end of the period equals sales for that period.

Since this system requires inventory taking, a sufficient reserve stock must be always on hand to keep from running out of the goods. And since this system deals mainly with the staple goods, a large supply can be kept on hand. (1)

4. The Tickler System

The tickler system is similar to the stock count system. In the tickler system, however, reocorders of articles of merchandise are recorded as received into stock. It is important to know the reorder period in order to buy the proper quantity of an item.

The tickler system also allots certain quantities of each item in the reserve stock bin as a reminder to reorder an item.

In order to have any of these systems work, it is very important to train the people who are to supply the needed statistics. None of these systems will work without the adequately trained, cooperative, and efficient person-

(1) Arthur Einstein, The Story of Unit Control (New York; Nat'l Retail Dry Goods Assn., 194', page 3.

nel to carry them out. These people have to be trained to tear off the stubs and deposit them in the proper place, record the sales accurately on the tally, take accurate inventories, and mark each article correctly and accurately. If these people are not trained to do their jobs accurately, the entire system is ruined no matter how good the setup is.

PART IV

How to Use a Merchandise Control

So far the discussion has concerned the problems faced by the small men's wear store in getting the right merchandise into the store at the right time and at the right place, the different phases of merchandise control, and the method of organizing a merchandise control. We now turn to the problem of how to use a control, taking into consideration dollar control and unit stock control. It must be remembered that, although we have been discussing the two different kinds of controls that could be used in a small men's wear store, nothing has been decided as yet as to which of the two controls recommended are needed. Before making any such recommendations, it is necessary to explain each phase of merchandise control. That is the object of this section.

Dollar Control

In studying merchandise control, two things should be remembered: the ends to be accomplished; and the methods by which these ends are to be realized, i.e. how to go about obtaining business. If these two things are emphasized, there will not be any random guesses as to the amount of increase in sales for the coming year, the amount of future markdowns, or the amount of future increases in turnover. These things would be thought through and definitely determined beforehand.

Some department and specialty stores, according to a

survey by the N.R.D.G.A., have dropped planning: for they have come to the conclusion that some lines will show a decrease in sales; some lines will tend to stay at a certain level; and some lines will show an increase in sales and in net profit, the increase resulting from many factors beyong the control of the store itself. They have decided that all they have to do is to find out these tendencies. A budget, therefore, is not necessary. They are depending upon their ability to find a line that shows a profit and stick with that line. In other words, they are trusting to luck. These stores have claimed that it is all luck anyway, for sales and profit increases shift from one line to another; and a plan will not help any. In some cases they are right, for a great may stores have folded up even with a good merchandise plan. But these stores have folded up not because of the plan, but because of the way in which these plans were set up. It must be remembered that a merchandise plan is only a means to an end, and not an end in itself.

The dollar control, as stated earlier, gives you an insight into a department. It tells you just what is going on in that department in relation to dollars. It reveals the following things, taking the department as a whole:

1. Sales
2. Inventory.
   a) On hand

b) On order

c) Incoming

3. Turnover.

4. Initial markup amount and percentage.

5. Markdowns and percentage.

6. Cumulative markup.

7. Gross margin amount and percentage.

8. Net profit.

Dollar control does not take each line or type of merchandise singly. That is the work of the unit stock control system, which will be taken up next.

A number of facts can be noted concerning the dollar control. It has been found through a study of past operations of stores that there is not a close relationship between sales increase and net profit, as was formerly believed. It has been shown that, though there may be an increase in sales volume, there may be a decrease in net profit. An increase in net profit does not necessarily mean an increase in sales volume, as sales volume may drop. Dollar control has brought out this significant fact and has led to a study of the lines kept by stores. Many stores are not now depending upon just getting an increase in the sales volume, but they are trying to increase their net profit.

Dollar control is useful in stores planning for a six months' period. This plan usually starts with planned sales. Next, the amount of stock necessary to get these sales

is planned. Then, the amount of purchase markup and markdown are planned in order to get a reasonable estimate of the gross margin. The necessary purchases are automatically determined from these figures. Turnover can be gotten from this method also.

It should be remembered in using the dollar control method that results are never exactly as planned. The manager, the buyer, or whoever makes up the control, must analyze past operations in order to avoid last year's errors and to repeat the successes.

To show how a dollar control can be used, let us take a hypothetical example of a store using figures for the six months' plan. The form is on the following page.

The form provides for last year's figures and for this year's plans and actual figures. Before the season begins, the current year's stocks, sales, markdowns, and purchases are planned and recorded. After each current month ends, the actual figures are noted in the "actual" columns.

The first step, as noted before, is estimating the sales by departments. In this illustration, it is supposed that $50,000.00 yearly volume is planned for a men's wear shop, $21,800.00 for the first six months, and $28,200.00 for the last six months. In the first six months, it is estimated that sales in the suit department will be $7500.00. These sales are then pro-rated, considering the months that are figured to have a high volume of business and the months that are expected to

SIX MONTH PLAN

MARK-UP on Purchases 38.2 %A — PLAN 39 %
MARK-DOWN 9.7 %B — PLAN 9 %
SHORTAGE 1 %C — ACTUAL %
TURN-OVER 2.1 %D — PLAN 3.1 %

SUITS

Feb. to July 31, 19

	FEB.	MARCH	APRIL OCT.	MAY NOV.	JUNE DEC.	JULY JAN.	TOTAL	
BOM STOCK								
(1) LAST YR.	1975	3214	3319	3122	2825	2509		(1)
(2) PLAN this YR.	1500	2800	3000	3000	2500	2000		(2)
(3) ACTUAL	1540	2906						(3)
NET SALES								
(4) LAST YR.	815	1219	1470	1390	1251	765	6910	(4)
(5) PLAN this YR.	875	1375	1500	1450	1400	900	7500	(5)
(6) ACTUAL	943	1511						(6)
NET SALES								
(4a) LAST YR.	815	2034	3504	4894	6145	6910		(4a)
(5a) PLAN this YR.	875	2250	3750	5200	6600	7500		(5a)
(6a) ACTUAL	943	2454						(6a)
MARK-DOWNS								
(7) LAST YR.	122	55	28	94	69	361	669	(7)
(8) PLAN this YR.	75	75	100	100	100	200	650	(8)
(9) ACTUAL	84	62						(9)
PURCHASES								
(10) LAST YR.	2176	1379	1301	1127	1004	780	7767	(10)
(11) PLAN this YR.	2250	1650	1600	1050	1000	900	8450	(11)
(12) ACTUAL	2393	1730						(12)
EOM STOCK								
(13) LAST YR.	3214	3319	3122	2825	2509	2163		(13)
(14) PLAN This YR.	2800	3000	3000	2500	2000	1800		(14)
(15) ACTUAL	2906	3069						(15)
(16) OTB-COST	1372	1007	976	640	610	549	5154	(16)
(17) ON ORDER	540	310	120					(17)
(18) REVISED-OTB	832	697	856					(18)
(19) MARK-UP ON PURCHASES	39.6	39.1						(19)

BOM- BEGINNING OF MONTH
EOM- END OF MONTH
OTB- OPEN to Buy

have a low volume of business. Since the store manager is always interested in the amount of sales to date as compared with the plan and also with last year, the accumulated net sales are shown for each month.

The planned stock is based on the amount of stock which should be on hand at the start of the month in order to handle the planned sales. The plan takes into consideration the amount of merchandise that will be received during the month. This affects the end of the month stocks. From the beginning and ending stocks, the buyer can tell what the stocks should be in order to make the planned sales. The beginning of the season stock is taken from the physical inventory at retail.

A certain percentage of sales should be allowed each season for markdowns. The percentage which is estimated in advance is listed in line 3 and the amounts for each month in line 3. The months are not pro-rated equally, as there are more markdowns taken at the end of the season than at the beginning. When the actual markdowns are made, they are then recorded in line 7. In order to determine the purchases, the end of the month stock must first be determined. The end of the month figures are the same as the beginning of the month figures for the following month. The only new budget is at the end of the season, and it is the estimate of what the stock should be at the time of inventory.

Purchases are gotten by deducting the planned sales and markdowns from the planned beginning of month stocks and

subtracting this figure from the planned end of month stocks. This result is recoded on line 11.

The purchases, in other words, are the open to buy. (line 16). The course to be taken now is to change the purchase figures from retail to cost. This is accomplished by multiplying the planned purchase by 61% (cost of goods). This gives a figure of $1007.00 open to buy at cost (1650x.61). But $310.00 is on order (line 17) and will arrive in March, so the open to buy has to be revised to $697.00 ($1007.00-$1310.00) At the end of the month, the outstanding orders--the amounts listed in the months in which the delivery of the goods can be made-- can be added at cost.

Stock and sales, purchase markup percentage, and turnover should be included among the goals in a merchandise plan.

Stock and sales have been dealt with; markup percentage and turnover will now be discussed.

The purchase markup percentage is a figured from the purchases for the period. This percentage represents the part of the retail price which is available for final profit. If, during the period, purchases total at retail $1800.00, the cost of the merchandise is $13,293.00, the amount of purchase is $8450.00, and the purchase markup is 39% on retail (line A). Concerning turnover, if the six months retail sales for the store are planned for $21,800.00 and the average stock on hand is $4360.00 at retail, the turnover is 3.1% (line D).

After getting the planned figures, the next step is

to record the actual figures. The figures to be recorded are as follows:

1. Sales - (line 6) - Sales are taken from the monthly summary of the daily sales sheet.

2. Beginning of month stock - (line 3) - The first month is the physical inventory check. The rest of the months are the same as the end of the month stock from the preceding month.

3. Markdowns - (line 9) - Markdowns are taken from the total of the markdown sheets for the month.

4. Purchases - (line 12) - Purchases come from the invoice register.

5. End of month stock - (line 15) - The formula used to get the end of month stock is the beginning of month stock plus purchases less sales and markdowns.

6. Markup on purchases - (line 19) - These are obtained by adding the cost and retail purchases. The difference between the cost and retail purchases is then gotten. Finally, this difference is divided by the total retail.

It can be seen from the foregoing that the planned and actual figures are hardly ever the same. The planned figures are used to give the buyer an idea of whether or not he is progressing according to plan and, if he is not, the reason.

UNIT STOCK CONTROL

Of what value is this control system to a buyer, and

how can he use it to advantage? The following section will point out some of the answers.

A good unit control system can help a buyer learn the following:

1. The rate of sale of merchandise.

2. The stock owned at any time.

3. The maintaining of a balanced and well assorted stock.

4. The purchasing of reorder items.

5. The items that are slow selling.

6. Coming fashions and retreating fashions.

7. The determining of consumer demands.

8. The discovery of sales by classification of merchandise.

9. The discovery of best resources of merchandise.

10. Check dollar planning.

11. Check of inventory shortages.

12. The open to buy by items or units.

13. The method of training assistants.

Before explaining how the unit stock control system can help a buyer learn those things, let us see the mechanics of operating a unit control system. Here are some examples of the types of information that must be recorded in operating a good control system:

1. Information for articles on hand. This information can be secured from inventory sheets or by deduction -

subtracting the number of articles sold from the last inventory.

2. Information for articles ordered. This is gotten from the buyer's records, which tell him what he has ordered, how much he has ordered, and on what day goods were ordered.

3. Information for receiving of articles. This information can be gotten from the purchase invoice or from the shipping room receiving sheet. It can also be secured from the articles themselves (physical count).

4. Sales information. A record of sales can be gotten either by checking sales slips, possibly tallies, or by checking the stubs from the articles.

5. Information from merchandise returns. When merchandise is returned, it is well to have a record of the reasons for the return from the customer to the store and the reason for the return from the store to the manufacturer. The manufacturer's name is recorded in order to know the number of returns to each manufacturer.

6. Information for price changes. Some sort of record must be kept to show whether or not an article has been marked up or down and the reasons for the price change. This record should also contain the name of the person who authorized the report. The purpose of the name is to give the person credit for making the authorization and to have redress to the proper party should any difficulty arise concerning the article.

Next, we consider the manner in which the unit control system can be of aid.

Rate of Sale

A unit control system tells a buyer the number of particular articles that were sold during the past week, the number that are still in stock, and the amount to be reordered. In this way, the article will not be entirely sold before the re-ordered goods arrive. It is of little advantage to know how many of a certain article are sold without having the rest of the information. The buyer's judgment is useful in judging the number of a particular article that will be bought by the community in the coming year. By watching the weekly rate of sale of any article, the buyer can tell when the peak has been reached and whether or not to reorder.

Knowing Your Stock on Hand

This is another term for turnover, which is the relationship of stock to sales. This term can best be explained by giving an example.

If there is an average stock of one hundred of an item and fifty are sold each week, the stock-sales ratio for the week is two to one. A unit sales figure alone is of no value, for it does not tell whether the store had enough stock on hand to satisfy the wants of all the customers. But if the stock and sales figures are known, the buyer knows that the

sales figure is correct and that no sales were lost because of lack of stock.

Maintaining Balanced Assortments

Maintaining balanced assortments means carrying merchandise which the customers want at the right time and in the right quantity. The store always has the right amount of each kind of goods so that there is never a surplus or deficity of any one item.

The buyer usually determines along with his boss the number of weeks' supply of each type of goods that is to be on hand and on order. These figures depend upon the rate of sales and the reorder period required to replenish the stock. It should be noted here that the rate of sales and the reorder period are variable and may change from week to week. Interpretation and analysis enter into future ordering.

Not only do sales suffer if the stock is low, but also if the article is selling out of season. The season must be discovered as soon as possible so that suitable markdowns may be taken to dispose of the stock.

Spotting Reorder Items or Best Sellers

The articles that are the best sellers are naturally the ones that are reordered the most. These articles have to be observed the most to make certain that they are still in stock. These goods usually bring in the most profit; thus,

there is added incentive to watch the stock.

A good unit control can tell a buyer which items sell the fastest, when to reorder, and how much to reorder.

How can a unit control tell these things? Suppose the rate of sales is twenty per week, and the reorder period is four weeks. The minimum stock should be four times twenty or eighty plus a factor of perhaps another week's supply. This gives a total of about 100. As soon as this reorder arrives, the buyer should immediately reorder again, because it takes four weeks before the next shipment will arrive. In this way, he will always have stock on hand. Of course, if the sales have dropped or increased during the past four weeks, the change must be considered in the reorder.

Knowing the Slow Moving Merchandise

As the unit stock record can tell which are the fast moving items, so also can it indicate those which are slow. Here is an example. Suppose on June 20 a store has 1000 souvenir American flags for the July 4th celebration. The rate of sale is twenty-five per week until June 20th. In two weeks they have to be sold out. At this rate, unless something is done, the store will have too many flags left. But the buyer recognizes the situation by means of his stock records, and he analyzes the situation carefully to see what can be done. The trouble may be that the advertising is no good or that the flags are not displayed properly. Whatever the cause is, the

buyer has two weeks in which to overcome his difficulty. Thus, stock control gives the individual an opportunity to save his merchandise from large markdowns.

Discovering a Coming Fashion

Before discussing the way that a unit control system discovers a coming fashion, it is necessary to define the word fashion. Is it the same as a style? Fashion is an accepted mode. Style is a mode which may or may not be accepted. Therefore, style is not necessarily fashion.

It is possible for a buyer to discover a coming fashion. He buys many different styles of apparel and records these styles in the control book. When the sales on any particular style starts to increase, that style is said to be the coming fashion. If the sales decline on a popular style, obviously the style is losing its standing as a fashion. The buyer must be able to distinguish between styles that are losing their fashionability and those styles that are just out of season. Fashions ordinarily last for a number of seasons growing greater and greater in demand before fading out. Thus, the importance of a control can be seen. The buyer is better able to judge the fashion trends of the time.

Consumer Demand

Many buyers have been unsuccessful because they have bought items with the idea that they will be in demand by the

consumers. They have found, to their dismay, that they were wrong. If these same buyers had unit control records, they would have seen the facts regarding consumer purchasing; and they would have bought what the consumers like and not what they themselves liked.

Sales by Merchandise Classification

In a department that has many different classifications, a total annual sales figure is useless, because it does not indicate the amount of each type of merchandise that is selling and the amount of each classification under each type that is selling. Here the unit control system becomes useful, for it puts every article in a department in a definite classification and records the sales of each item.

As an illustration, by classifying shirts into the different colors and styles, the buyer can tell at a glance which is the best seller. If there are some colors, styles, or sizes that are not selling, the unit control record will bring these to the forefront; and the buyer can analyze the records to find out the cause.

Best Resources

The resources that are most profitable are very important to realize. The manufacturer is only as good as the members of his staff. The designer may go stale, or other men in the manufacturing business may lose interest and give their work less attention. In this way, businessmen find that their

businesses may reach a periof of success and then decline. The records of control may show the rise and fall of may businesses by the number of reorders given from year to year. Also, this information can be obtained by observing the record of mark-downs of particular manufacturers. Thus, the fluctuation of an industry can be observed from the books.

Dollar Planning as Compared With Unit Planning

The six months dollar plan for a department should be made up by estimating the unit sales of each item for the period by months. Once more the records are needed to supply the necessary information. The stock which the buyer wishes to purchase depends upon the basic stock, as well as the amount he plans to sell. Often when making such a plan, by the use of the unit control, the buyer is over-optimistic. The planned unit sales and planned unit stock appear satisfactory, but they are actually not so when comparing them with facts such as the actual percentage sales increase the department has been making. More accurate estimates can be made by planning in both dollars and units, using one as a check against the other. This process entails much labor; however, it is very profitable, for it avoids many costly mistakes.

Inventory Shortages

The cause of inventory shortages are very often difficult to locate. An accurate control tells what has been sold.

The unit figures can be translated into dollars. The record of sales can be checked against the controller's figures. Thus, a shortage of one kind or another may be located.

Item Open to Buy

The control office gives the dollars open to buy. This figure must be translated into items open to buy. Guess work can be avoided by a good unit control sales record. To calculate the item open to buy for a certain period, take the difference between stock on hand and on order the first of the period and the plan stock desired at the end of the period. The difference is added to the plan sales for the period. If the ending stock is greater than the beginning stock on hand and on order, this difference is subtracted from the planned sales if the ending planned stock is smaller than the beginning stock on hand and on order. For example: the beginning stock on hand and on order equal 1000. The planned ending stock equals 500. The planned sales for the period equals 800. 1000 minus 500 equals 500. The ending stock is smaller, so subtract: 800 minus 500 equals 300 open to buy.

Training Assistant Buyers

Here it can be seen where the unit control helps train good assistant buyers. In order to be a department manager, a person must be able to operate, analyze, and interpret control records. In his training, he should be taught to interpret the records. His success at this task is an indication of his capability as a buyer.

PART V

Control Plans of Actual Stores

The problems of the small men's wear retail stores have been discussed; however, nothing much has been done to remedy the situation. Many have claimed that the reasons for the many failures have been poor location, inefficient management, and the like. I believe that one reason is a lack of some kind of adequate control system, whether it be a dollar control or a unit stock control or both, one which will give the small retailer a basis from which to work so that he will not have to rely on guess work.

In order to devise a system, the systems now known have to be explained and criticized. Part IV will cover the control systems that have been used by different retail stores in the past and present, first discussing the systems of department stores, then specialty stores, and finally small stores. By putting the theory into practice, we may be able to find out what is the best system for a small men's wear retail store.

1. DEPARTMENT STORES

Since the mentioning of specific department stores is not ethical, they will have to be designated by a letter.

Department Store A

Department store A uses both the dollar control and the unit control systems in their men's wear departments. The dollar control is the same as that described in Part II. It is the responsibility of the controller in the finance division to see that this control is working smoothly. Each week the controller send the buyer a sheet of paper called a tape. This gives the planned and actual figures of what has been bought, what is on hand, what is on order, and what has been received, and the open to buy. Using these facts, the buyer is enabled to decide what to purchase. The open to buy figure is a departmental figure and not a figure on each type of merchandise. The latter is left to the buyer's discretion.

The unit control system of department store A is rather unique and is worthy of note. The buyer has nothing to do with the budget. That is the merchandise manager's job, although the buyer probably gives his opinion. The buyer receives the total planned and actual figures of his department from the controller; and, from this allotment, he buys within the limit, is possible.

The buyer plans his stock on a six month season, and he plans to buy all the stock needed during that season at one time. Most of the manufacturers will only fill one order during any one season. This fact is quite significant. However, the entire stock does not arrive at one time. It is staggered through

the season. If the buyer plans to buy a small amount of merchandise, for exarple, suits, and the demand is more than the supply ordered, the department is out of luck. If the buyer overstocks, he must get rid of the suits through sales, by having markdowns, by transferring them to the basement, or by selling them to an outside concern. No suit is left from one season to the next. It can be seen that the buyer must be well qualified in analyzing past records, trends, and the market potential for the future.

It should be stated here that the above plan of buying is concerned only with men's clothing. Men's furnishings—stockings, gloves, hats, bathrobes, shirts, ties, etc.—are bought wherever the need arises. There is no stipulation from the manufacturers as to how many orders can be made during any one season.

It should also be noted that there are separate records kept for promotional merchandise, and these records are kept according to price lines. No attempt is made to classify them according to style, color, or size.

In the buyer's office of the men's clothing department there are panel cards, each containing information as to the retail and cost price of certain merchandise, the style number, the name and address of the resource, a description of the merchandise as to size and color, remarks, and the code number. These panel cards are made out for one month periods. Each day of the month is accounted for in this way. The buyer records

on it daily the amount of merchandise received, the amount on hand, the amount sold, and the amount on order. This procedure is carried on for the six month period. (This form will be found on the following page.)

As each suit, jacket, or pants is placed on order, it is immediately entered into what is known as the 'Lot Book'. (See pages 57 and 58). It will be noticed that the men's clothing department breaks down the classification of suits into the following:

1. Fabric
    a. sizes
    b. classifications
        1. Regular
        2. Short
        3. Long
        4. Stout
        5. Short stout
        6. Long stout
    c. Store number
    d. Manufacturer's number
    e. description of merchandise
    f. cost and retail price
    g. deliveries
    h. maker

It is very significant that the records are kept by fabric swatches and not just by description alone. The reason

PANEL CARD

RETAIL	STYLE	RESOURCE	DESCRIPTION	DISSECTION

COST	RESOURCE ADDRESS	REMARKS	CODE

YR.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
REC'D																															
O. H.																															
SOLD																															
O.O.																															
REC'D																															
O. H.																															
SOLD																															
O.O.																															
REC'D																															
O.H.																															
SOLD																															
O.O.																															
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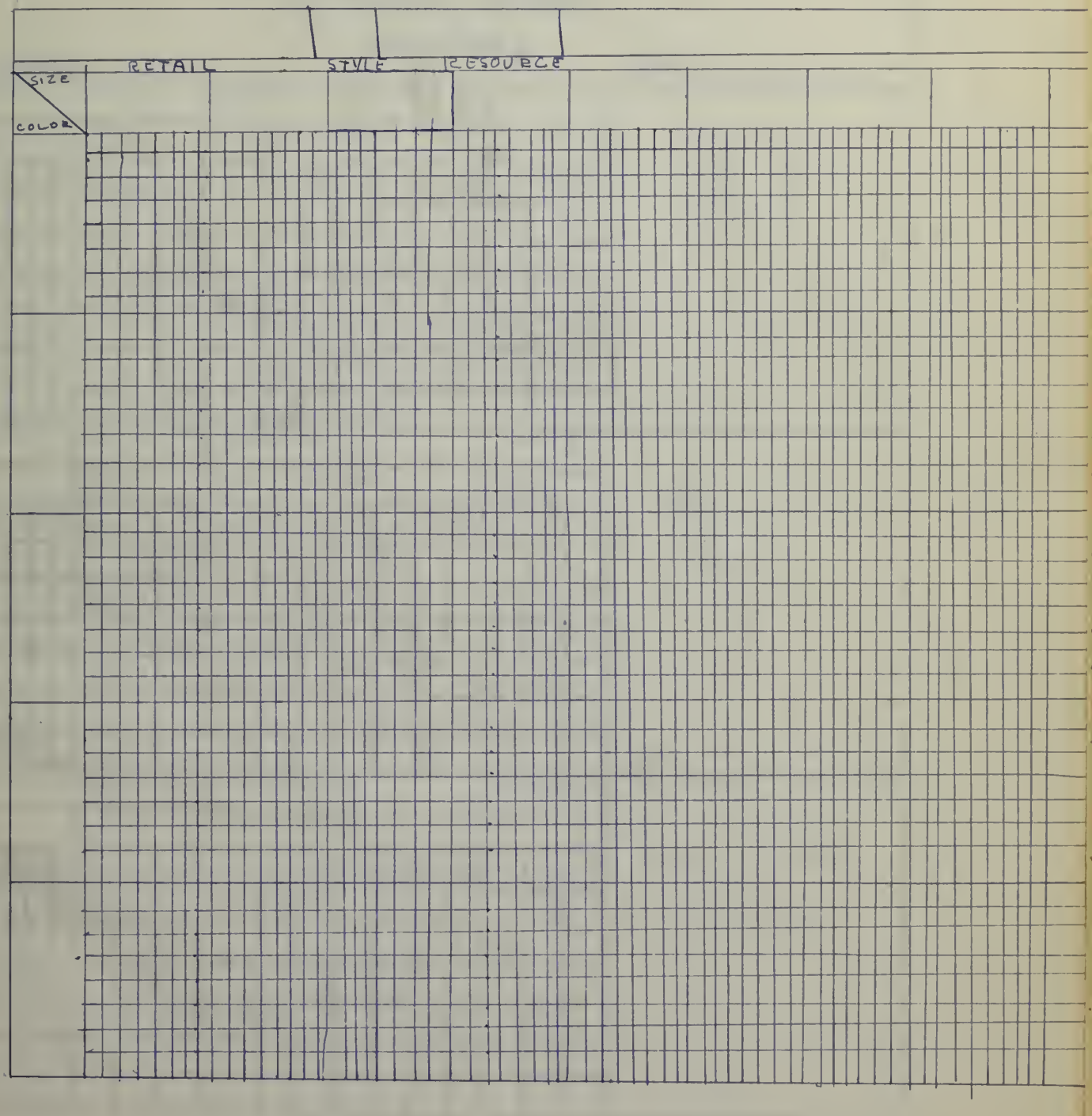
O.H.																															
SOLD																															
O.O.																															
REC'D																															
O.H.																															
SOLD.																															
O.O.																															

REVERSE SIDE OF PANEL CARD



CLOTHING RECORD
ON ORDER

SEASON_____ DEPT._____

OUR NO				MFG. NO.			DESCRIPTION							MAKER		
COST				SELL			DELIVERIES									
SIZES	32	33	34	35	36	37	38	39	40	41	42	43	44	46	48	50
REG.																
SHT.																
LONG																
ST.																
S.S.																
L.S.																

GREEN TWEED SWATCH

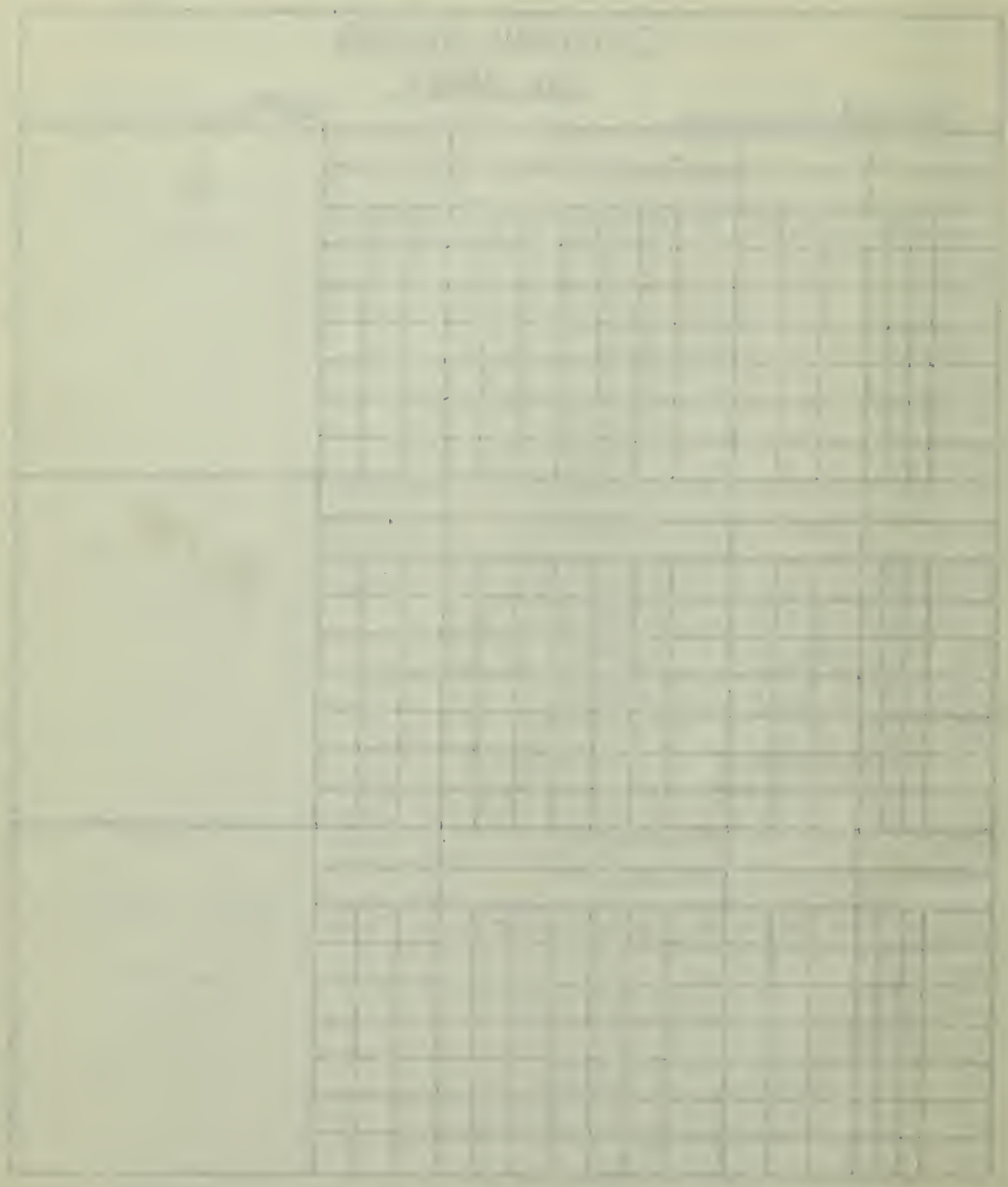
OUR NO.				MFG. NO.			DESCRIPTION							MAKER		
COST				SELL			DELIVERIES									
SIZES	32	33	34	35	36	37	38	39	40	41	42	43	44	46	48	50
REG.				XX	XXXX	XX	XX/	X/	XXXX	/						
SHT.				(X)	XX/	X	/	X/	XXX	/						
LONG				X/	XX/	X/	X//	X/	XX/	/						
ST.																
S.S.																
L.S.																

GREY TWEED SWATCH

OUR NO.				MFG. NO.			DESCRIPTION							MAKER		
COST				SELL			DELIVERIES									
SIZES	32	33	34	35	36	37	38	39	40	41	42	43	44	46	48	50
REG.																
SHT.																
LONG																
ST.																
S.S.																
L.S.																

BLUE TWEED SWATCH

EACH VERTICAL LINE REPRESENTS ONE SUIT ORDERED.
EACH HORIZONTAL LINE REPRESENTS ONE SUIT THAT ARRIVED.
EACH CIRCLE REPRESENTS ONE SUIT SENT BACK TO THE MANUFACTURER.



CLOTHING RECORD
ON HAND

SEASON_____ DEPT._____

OUR NO.				MFG. NO.			DESCRIPTION							MAKER		
COST				SELL			DELIVERIES									
SIZES	32	33	34	35	36	37	38	39	40	41	42	43	44	46	48	50
REG.																
SHT.																
LONG																
ST.																
S.S.																
L.S.																

GREEN TWEED SWATCH

OUR NO.				MFG. NO.			DESCRIPTION							MAKER		
COST				SELL			DELIVERIES									
SIZES	32	33	34	35	36	37	38	39	40	41	42	43	44	46	48	50
REG.				XI	VXXI	XI	IX	I	XXII							
SHT.				■	X	I		X	XYI	I						
LONG				J	YY	Ⓧ	I	I	XI							
ST.																
S.S.																
L.S.																

GREY TWEED SWATCH

OUR NO.				MFG. NO.			DESCRIPTION							MAKER		
COST.				SELL			DELIVERIES									
SIZES	32	33	34	35	36	37	38	39	40	41	42	43	44	46	48	50
REG.																
SHT.																
LONG																
ST.																
S.S.																
L.S.																

BLUE TWEED SWATCH

EACH VERTICAL LINE REPRESENTS ONE SUIT ON HAND.
EACH HORIZONTAL LINE REPRESENTS ONE SUIT SOLD.
EACH CIRCLE REPRESENTS ONE SUIT RETURNED BY THE CUSTOMER.
EACH SQUARE REPRESENTS ONE SUIT RETURNED TO THE MANUFACTURER.

for the method is that there are many different fabrics that cannot be described accurately; and, in order that the errors be prevented, the buyer refers to each fabric swatch. By seeing the actual merchandise with the description in mind, he cannot go wrong.

On the Lot Book page is recorded the on order shipments. Each suit ordered is placed next to the classification and the size in each fabric section. As each suit is received, it is recorded on another page similar to the one shown; and the on order record is crossed off. When the suit is sold, the on hand figure is crossed out. If the suit is returned by the customer, a small circle is placed above this on hand figure which has been crossed out. This circle shows that the merchandise has been put back into stock. If the store returns the suit to the manufacturer, a blocked-in square is drawn directly on the one hand figure. The on order figure is circled in order to indicate that the merchandise was shipped back to the manufacturer. In this manner, there is a record showing just where each suit is at every moment. The wonderful part of this record is that the buyer can tell at a glance the information on any kind of a suit. For example, if a certain grey tweed suit sells mostly in sizes 36 to 40 in regulars and longs, the buyer knows that the next time he must buy mostly these sizes. If the same suit sells in stouts and long stouts in sizes 44 to 50 and does not sell very well in the other sizes, then the buyer refers to his records and knows at a glance

how to reorder. In the same manner, a suit which does not sell well can be indicated on the records, so that the buyer does not reorder. All these facts can be gotten very easily and can thus facilitate purchasing.

This Lot Book, however, does not give the sales record from day to day. It does not show that a particular suit has been sold and does not give the daily and monthly sales according to price lines. Also, the buyer cannot use it to tell what stock was on hand or on order and the sales in pieces for any given month. For this information, the buyer must keep three other reports. They are the daily report on sales; the daily report on sales by price lines; and the recapitulation of stock on hand, on order, and sales in pieces.

In order to make up the Daily Report on sales, the buyer receives at the close of every working day tally slips from each salesman. (A Daily Report can be found on page 61.) Tally slips show the number of sales the salesman made, the price line of each item, and the type of item sold. (An illustration of a tally sheet can be found on page 62.) The buyer then records the sales in code on the daily report, noting the department, the date, and the weather conditions. In analyzing the daily report, if there is an increase or decrease in sales, weather conditions of former years are checked with the present date to see weather influenced the rate of sales.

This daily report is kept by the buyer, but the tally slips are sent by him to the controller to give the controller a record of the sales and of the salesmen.

After the buyer makes out the daily sales report in

Daily Report

Dept. Date

Weather

Sales			Sales				Credits		

TALLY SHEET

SALESMAN _____ DATE _____

QUAN.	STYLE	DESCRIPTION	AMT.	REMARKS
		TOTAL		

TALLY SHEET

code, he makes out his daily report by price lines. (See page 64.) This report gives the department number, a description of the merchandise, the month, and the year. The buyer checks the stubs each day after the store closes. (See page 65.) The stubs, which are attached to each piece of merchandise that has been sold, are brought to the buyer by the salespeople. The buyer records the stubs according to the price lines in which they fall.

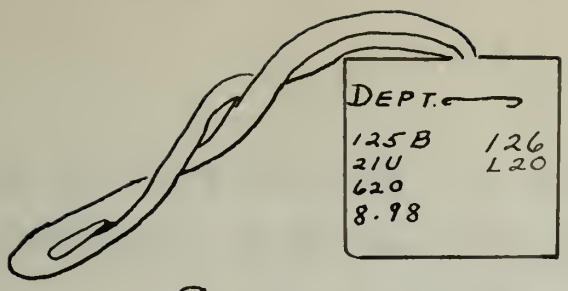
By using this system of recording sales by total merchandise and by price lines, the buyer always knows exactly how much has been sold during the day and the price lines that are selling the best. The buyer can also tell which days of the week are best and which part of the month is best, and he can plan his coming year accordingly. In this system of Department Store A, very little is left to chance. Nearly everything is recorded.

This system of two daily reports has the advantage of being a cross check. For example, if a salesman forgets to remove or loses the stub from the suit sold, the daily report by price lines will not correspond to the daily report on sales. The buyer can then check for errors and, in this way, correct the mistake. In the same way, if the salesman forgets to record his sales on a tally but returns the stub, his error can be found and corrected in time. If a salesman forgets both the stub and the tally record, the buyer will discover the error, though with a little more difficulty; because the sales slips are sent to the controller's office, where they are checked

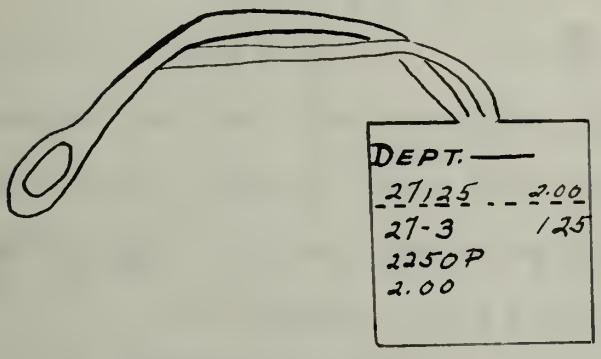
DEPARTMENT MONTH YEAR

LINE PRICE	M	T	W	T	F	S	M	T	W	T	F	S	M	T	W	T	F	S	M	T	W	T	F	S	M	T	W	T	F	S	

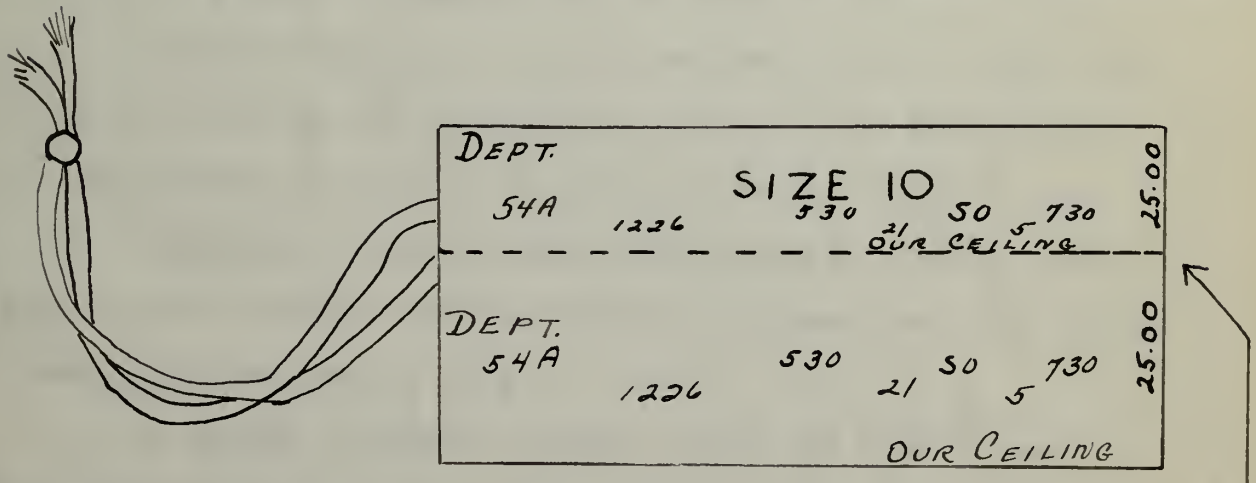
PRICE LINE SHEET



String ticket which can be used with a tally system



Price ticket used with stub system



Ready to Wear price ticket and Stub

Stub torn off when garment is sold

against the tally slips. If there is any discrepancy, the buyer is notified. Thus, the mistake is rectified.

At the end of the month, the buyer takes a recapitulation of the past month in sales, stock on hand, and the stock on order. This is done on what is known as the 'recapitulation report'. (See page 67.) The sales are recorded for both the present year and the preceding year. In this way, the buyer can see how well he fared this year so far as compared with last year. All recordings are made by price lines.

This report gives the buyer and the merchandise manager a first hand record telling how the department is doing, and it gives them a chance to correct any errors.

By these methods, a buyer can tell at all times just what is going on in his department, and he knows the products that are selling the best. He always knows his open to buy; for the controller's office sends him a weekly report, which is a tape telling him the planned figures for the week, the actual figures, and the open to buy.

A change in trends, style, color, or fabric can be seen at any time in the Lot Book. Days of high sales can be seen in the daily report sheet on sales, and trends in price lines can be gotten from the daily report sheet on price lines.

Even though this system seems infallible, the department has other checks on the system. Every month the buyer himself takes a physical stock count to see if the on hand figure is correct, and every six months a regular physical inventory is taken.

RECAPITULATION OF STOCK ON HAND, ON ORDER, AND SALES IN PIECES

DEPT.________ STOCK CLASSIFICATION ____________________ DATE ________

1 PRICE	2 ON HAND	3 ON ORDER THIS MONTH	4 TOTAL	5 ON ORDER NEXT MONTH	6	7	8 SALES LAST	9 SALES TO DATE THIS YR MONTH	10 SALES TO DATE LAST YR THIS MONTH	11 TOTAL SALES LAST YR THIS MONTH	12 TOTAL SALES LAST YR NEXT MONTH	13	14	15

The one thing that is hard to discover is whether or not an article which is missing is a shortage. Usually there is a clerical error involved. For instance, a sport jacket is returned by a customer to the floor manager, who makes out a credit and charges the department for the jacket; but sometimes the floor manager makes a mistake and charges it to the suit department and not the sportswear department. The sport jacket is then returned to the sportswear department where it is put back on the rack. The result is an overage in the sportswear department and a shortage in the suit department. Since a stock count is taken every month, the overage and the shortage can not be discovered until the next count. The sportswear department, considering this mistake to be an overage, will try to discover the cause, usually to no avail; for, in this case, a correction is difficult to make. The same situation arises when transfers are credited to the wrong department. But, as has been pointed out, errors are usually discovered in the long run. Actual shortage runs less than 1%.

In this system, the buyer has no control in marking the merchandise. Marking is done by the marking department, which is under the supervision of the merchandise manager. This method makes it very difficult for a salesman on the selling floor or the buyer himself to mark and sell goods at any price but the actual retail price.

All markdowns and markups have to be authorized by the merchandise manager. These markdowns are taken toward the end of a season in order to get rid of the surplus merchandise.

If the goods are not sold after the markdown, they are either marked up and transferred to a different department or sold to another store. There are hardly any markdowns or markups taken during the early and middle season, except after a special sale. If the merchandise is damaged or shopworn, it is marked down. Because there is a close check on all merchandise, very few markdowns or markups are made.

As can be seen, in this system no man is indispensable. Each executive has some knowledge of the other executives' jobs, so that one can take the other's place.

The men's furnishing section of Department Store A also uses the dollar control and the unit control systems. The dollar control tells the buyer how much he is open to buy, but the buyer has complete authority as to what merchandise he will buy. It is similar to the dollar control system described earlier. The unit control control system is a rather complicated affair here; for there are records of merchandise according to style, color, size, classification, and price. Records of each day's sales are kept, and daily records are made out and sent to the controller.

The difference between this unit control system and the system in the men's clothing department is that reorders can be made any time the need arises. A closer check on the merchandise is needed, since there are so many articles listed in the men's furnishings department, with so many styles, colors, sizes, and prices in each classification. Since the unit sales

are greater in this department than in the other, the buyer has to keep a constant lookout to see that there is enough merchandise in stock. If the stock is running low, it must be replenished immediately.

In this system, a great many detailed records are involved, thus entailing a great deal of clerical work. There is a great deal of expense and work involved. Further explanation is not necessary, since this system is too complicated for use in a small men's wear store.

Since Department Stores B and C have systems similar to Department Store A, differing only slightly in form, there is no need to discuss them.

DEPARTMENT STORE D

At first appearance it seems that Department Store D is taking many risks in the men's clothing department. In this department, there is no unit stock control system, although there is an elaborate dollar control system. The dollar control system is taken care of by the controller's office. In this office, as in the first department store mentioned, a weekly tape is taken in order to tell the buyer what is open to buy, the planned dollar figures, and the actual dollar figures. Planned figures are secured in conjunction with the merchandise manager and the buyer.

Thereafter, the buyer uses his own discretion as to the items and the amount of each item to purchase.

The only unit control record this department keeps

is the recording of all incoming merchandise. This information is secured from the shipping tickets on the packages. This book plus a record of all the returns by the department to the manufacturer are the only records kept. No record is kept on daily sales; therefore, the buyer does not know the kind of merchandise or the amount of each kind that has been sold.

How is the merchandise on hand determined? The only method is a continuous stock count, and that is exactly what is being done. Each day the buyer takes an inventory of the merchandise that is on the floor. The merchandise is arranged according to price lines, and then according to size, with no regard for type of material or color.

The question arises as to when to reorder, or what merchandise is selling well. The buyer must have a good memory to know exactly what he put on the floor, so that he can tell at a glance what merchandise has been selling. For example, if, on checking, the buyer notices that size 36 is running short, he uses his receipt book to see the type of merchandise that was purchased in size 36. He then checks what is left on the racks. By comparing the merchandise delivered and the merchandise on hand, and subtracting the latter from the former, he knows what merchandise in size 36 has been selling. In this way, he reorders. But no information is available concerning the amount of merchandise sold on a certain day or the type sold at any given period.

A tally system has been in effect, but without results. The reason is this: In order to have a tally system, the salespeople have to record the type of merchandisethey sold, the amount of each kind, the color of each type, and the price of each piece. The buyer has not yet been able to get the salespeople to practice this method. Most of the salespeople have been working at this store for a good many years and have never bothered to make a notation of this information on the tally sheet. They now do not believe that the process is important, or they just forget. The only notation that is made is the number of items and the price of each.

If each person put down the toal amount of sales and returned the tally to the buyer, the buyer would be able to figure the number of sales for the department during the day. But, there is another inefficiency in the system. Even though the clerks have been given adequate directions, a few of them always manage to forget to return the tally to the buyer's office before the assigned time, or they wait until the next day and send the tally directly to the controller's office. Some forget to return the tally until it is too late. A lack of a good tally system causes inefficiency in the department and in the store itself. If the store trains the personnel properly, the system can be made to work and to function adequately.

In the case of new merchandise which is put on the

floor for the first time, a very close check is kept to determine whether or not there is a demand for the goods. Since there are no records upon which to rely, the buyer must spend a great deal of his time keeping a constant vigil; thus, the importance of good records can be seen.

In buying staple goods, the buyer usually orders 80% of the season's requirements and then reorders when the need arises. This method is better than that of Department Store A, because A does not reorder.

No system is used for returned merchandise by the customer. The buyer does not see the merchandise when it is returned, and he has no knowledge of the incident. Refunded merchandise is brought to the floor manager, who makes out a credit slip and sends that to the controller's office, where it is credited to the department. The floor manager places the suit on the rack, and the issue is forgotten. Therefore, the buyer has no knowledge of the transaction. This is a poor policy; for the buyer should know the reason for the return of the goods. He should know whether or not the goods are damaged, misfits, poorly tailored, or even whether or not the goods meet the tastes of the consumer. The latter is very important; for, if a number of such incidents occur, the buyer knows, naturally, not to reorder.

The system of this store does not give the buyer enough information on the customers' personal attitudes towards the goods.

A record, however, is kept on all returns with a statement for the reasons. Most of the goods returned due to a flaw in the manufacture are noticed at the time that the merchandise has been received. These goods can be returned to the maker, and credit can be received.

Even though this department has no unit control, it has always been a very profitable one. This fact can be attributed to the buyer, and to him alone. He has worked at the store for thirty-seven years and knows just what people want, and he plans accordingly. He refers to last year's dollar figures and then at the present economic trend to determine the amount of reorder. His ability to buy is based on his years of experience and from his observance of the trends in styles, color, and the like. The fallacy in this system is that he cannot determine during a season any type or style change, since there are no records to show what has been sold. This can best be illustrated by using last year's style change in topcoats as an example. This change was from the standard type topcoats to the three way topcoats- zip-in lined, water repellent, standard tailored. Because there was no indication of the sudden change from the regular topcoats to the new type, this department was overloaded at the end of the season. They had to sell them to the basement in order to get the merchandise off the books.

Another failing in this type of system is that the buyer is indispensable. If he should happen to take sick or to re-

time, there is no one available who knows enough about the job to carry on. A great deal of time and expense may be lost in installing a new buyer.

Another fault is that the system requires the buyer to remain on the floor a good deal of the time checking the stock. He should be devoting much of his time to other activities, such as analyzing sales to determine trends, checking last year's promotional sales, and determining the significance of all changes.

The men's furnishings section is a different department; and, therefore, it has a different buyer. He has so many units to control that records are essential. Complete records are kept as to size, color, classification, style and price.

2. CHAIN SPECIALTY STORE

Chain Specialty Store A

In Chain Specialty Store A, the merchandise plan is run on slightly different basis. In the department stores, the dollar control limits the amount of merchandise that the buyer in the men's clothing and men's furnishings departments can buy, thus making the unit stock control plan subordinate to the dollar plan. The reverse is true in this chain specialty store. Here the unit stock control is made out first, and then, the dollar control. The unit stock control, is broken into price ranges; and the total is added up, thus giving the dollar amount. This dollar amount is then put into the dollar control and worked exactly like any other dollar control.

In this chain specialty store, the merchandise manager is

the controller. He computes the amount to be bought for each branch of the chain and relays the information to the central buyers. All records are kept by the merchandise manager, including all daily reports sent from each branch. If the financial department balks at his figures, he reviews the figures with the buyers; and if the buyer is in agreement with him, the figures remain. The buyers make periodical checks of each branch.

The important factor concerning the chain specialty men's wear stores is that there is usually enough money to finance the purchase of all merchandise. If there is not enough money in the chain, the chain's central office borrows. This system cannot be carried out in the department store, as the buyer is given a certain budget allowing only a little variation. At the beginning of the season the buyers in this chain usually buy 60% of the actual amount needed during a season, and they fill in later. The interesting feature about the chain specialty store is that merchandise which does not sell in one branch of the chain is transferred to another store where it may sell better.

There are no records retained in any of the branches of the chain specialty stores. Every day the store manager fills out a daily report summarizing the sales of the day, and he sends this report to the central office. Also, he sends, all the duplicate sales checks of the day, without any kind of summary of them. The duplicate sales checks are recorded on loose leaf cards, which represent a style control. Each one of these loose leaf cards is representative of another

style. The card records the following:

1. The cost and retail prices of the merchandise.
2. The resource from which the merchandise came.
3. A description of the merchandise.
4. The manufacturer's lot number.
5. The amount of merchandise received.
6. The manner and place that the merchandise was distributed.

When the merchandise is received, the main office records it on the style card; and when the merchandise is distributed, it is also recorded. When the branch sells the merchandise and returns the sales check to the main office, the merchandise manager's office draws a line through the section telling where the merchandise was shipped.

The daily sales report is recorded in the dollar control from which a tape is made each week and sent to the buyers. This tells them what the planned and actual figures are, and what the open to buy is. The store manager usually has no say in the matter, and he has to accept all the merchandise that is sent to him. When the store manager receives a package from the manufacturer, there are two copies of the voucher on the package. The store manager then sends one copy to the main office to show that he has received the package and to charge him with the merchandise. The other copy is kept within the store. If the merchandise is being transferred from this store to another, the store manager makes out a voucher in

quadriplicate. One is kept in the store to balance the original voucher, and one is sent to the main office to show that the merchandise was trasferred to another branch. This also balances the original voucher. The other two vouchers are sent with the package to the other store. The other store, in turn, sends one of them to the main office to show that the merchandise was received, and the other one is kept in the store for reference. When the main office receives this latter receipt from the branch store, the office credits the first store with the goods and charges the second store with the receipt of the goods. Thus, there is a triple check, so that the main office always knows where the merchandise is located at all times. It should be noted here that this system would not be of use in any other type of store except in chain.

There is no monthly check on merchandise. Merchandise is counted at the end of every six month period, and from this a shortage figure is obtained. Markdowns are taken at any time on merchandise that is not worth keeping. The record of markdowns is kept at the main office.

Unlike Department Store A, this chain specialty store keeps its merchandise from one period to the next, since there are not many style changes in the basic articles from year to year. What is good one year is good the next. Winter suits are sold during the summer, because some people buy winter suits all year rather than spend extra money for seasonal outfits. Of course, in the summer the summer suits are more prominently dis-

played than the winter ones.

If merchandise is unwanted, a sale is launched after the peak of the season. Sales are not too numerous, since the policy is to keep merchandise from one season to the next.

In men's furnishings, all classifications are according to style. Again, no records except vouchers are kept in the branches, because each sale is recorded and then sent to the main office along with the sales checks. All records are kept in the main office under the headings of the different styles. Under these headings are the sub-headings of color, size, price, etc. All this information is recorded from the voucher. When the merchandise is sold, everything except size is obtained from the sales slip.

The store manager keeps a box inventory. This is kept by placing the stock into boxes according to style and size. When a box is empty, the store manager records this lack of a size or style and sends the information along to the central office. In this way, the buyer knows the number of items sold and the price value of the items; thus, he has the dollar figures and unit figures.

Chain Specialty Store B

In Chain Specialty Store B, the system is similar to the one described above. Just about the same policy is used. The main difference is the fact that this chain specialty store gets its main business from charge accounts; therefore, the sales slips are different. In this store, the salesman has to

record the customer's name and address so that the customer can be billed for the merchandise. Salesmen must record the information without error on the sales slips, as is obvious. The unit control system is nearly the same, as is the dollar control system.

3. SPECIALTY STORES

Specialty Store A

In each store so far discussed, a dollar control was used, for the buyers believed that it is essential to know the dollar open to buy, the markdown percentage, the amount of shortages, and other such information. With this information, the store can compare actual figures with planned figures. In this specialty store, however, an entirely different system is in effect.

Specialty Store A does not have a dollar control. It runs no sales; it takes no markdowns except when it sells merchandise to another store; and it keeps no records of shortages. Yet, it has a very simple but complete unit stock control system, one which is simple and inexpensive to operate.

This store gets its information of what is on hand, what is on order, what has been received, and what has been sold from the swatch or Lot Book. This book is similar to the one described in Department Store A in these respects: A swatch of the material is pasted into a book; and, next to it, is recorded the store lot number, the manufacturer's lot number, the model, the retail price, the cost price (in code), the type of finish of the material, the date the season opened, the sale

price, and the on hand figures at the beginning of the period. Below this is recorded the date the merchandise was received, the style of the merchandise (regular, short, long, stout), the sizes of each style, the amount of merchandise received, and the amount of merchandise sold. The last two facts are figured at the end of the season.

When goods are ordered, a line is drawn next to the style and the size of that style. When the goods are received, the date is noted, and the line next to the style and size received is encircled. When the goods are sold, a line is drawn through the first line. In this way, the buyer knows at all times what is on hand, what is on order, and what has been sold. The 'sold' line is entered by the buyer at the end of each working day. This information is obtained from the sales slips.

The salesmen fill out sales slips in triplicate, one for the customer, one for the office, and one for the buyer. The buyer uses the slips as the basis of stock control. The salesmen have been trained to record everything accurately, thus making it simpler for the buyer. All he has to do is fill in the 'sold' line.

Since the buyer in the men's clothing department of this men's wear store is always on the floor selling, he has a good idea of what is being sold; and he orders accordingly. This particular store has the reputation of having fine merchandise, so that the buyer has to select goods of high quality. His resources happen to be especially busy, and they do not

accept reorders during the season. This condition is changing now, however.

The buyer has not had to worry about trends and the like, for all the merchandise is basic.

It is this buyer's opinion that, in a store selling goods of high unit price, customers' preferences can be changed. He believes that men will buy suits even though the suits are not exactly what the men had in mind. The quality is the most important thing to most of the customers. For example, this year a manufacturer requested that the store try to sell some grey suits. When a customer requested a blue suit, the salesman asked him if he would prefer the color grey. The salesman explained that grey is a basic color and is always in good taste. 80% of the men eventually bought the grey suit. The buyer claims that a man will not shop around very much, especially if he wishes to buy a high priced suit. He can be persuaded to change his mind on his choice of a suit. The customers, of course, must have confidence in the store.

The buyer also claims that the same principle applies to the selection of material. Usually, a man does not know quality of material; but he will rely upon the judgment of the salesman if he has confidence in the store.

This specialty store does not have any promotional sales, so that no records of markdowns or special merchandise have to be kept. Since they sell a very small amount of suits to other stores, they do not believe it is necessary to keep a record of the markdowns. Markdowns are estimated to be

less than ½ of 1%.

As for the records, the men's clothing department keeps a daily unit sales control book. In this book, sales are recorded by classification (suits, spectator suits, topcoats, tuxedos, overcoats) and by days. The buyer knows just what has been sold on each day, but he can not tell what style has been sold. The style information has to be gotten from the swatch book.

The men's furnishing department is also run by a unit control system according to the following classification:

1. Shirts - control by color, size, sleeve length, cloth, french cuff, and plain cuff.
2. Ties - control by prices only - no control by color or style, because there are too many of each.
3. Shoes - control by style, size, color, price.
4. Sport shirts - control by size (small, medium, large, extra large), color, style, and price.
5. Pajamas - control by sizes (A,B,C,D, and E).
6. Underwear - control by sizes.-one style and one price.
7. Stockings - control by sizes, material, length (short and long), too many colors to bother with - one price.

That is an outline of the control. Reorders are frequently made. Only basic stock is kept; therefore, there

are no clearance sales.

4. SMALL MEN'S WEAR STORES

In gathering information, I visited five small men's wear stores in the suburbs of Boston and discovered that not one had a control system. The owner's claim that all of the merchandise is basic stock, and most of the merchandise is men's furnishings with a small amount of men's clothing; therefore, it is not necessary to keep a control system. The managers are on the floor most of the time, and they know the merchandise pretty well. Although no records are kept except vouchers and sales records, they keep a box control by sizes in the men's furnishings department; and they reorder when a box is empty.

There are probably one of two reasons for the lack of a control system. Either the buyers do not understand how to run such a system, or the operation of a system is too costly and too involved. When the buyers of some stores were questioned concerning a unit control system, they were very vague in their replies. They indicated that they knew very little about the subject. A different group of buyers confessed that they used a unit control system, but without success. It had involved far too much time in supervision and bookkeeping; too much money has been spent, and profits had not increased to any great extent.

PART VI

CONCLUSION

This final section will attempt to analyze the findings and recommend a merchandise control system which will be suited to a small men's wear store. This system will have to be fairly simple; for a complex plan is not appropriate for this type of store, which has limited finances and limited manpower.

Men's Clothing

1. A swatch book should be used for each classification of merchandise. (See pages 57 and 58.) This book is similar to the Lot Book used by Department Store A. By classification is meant suits, topcoats, overcoats, raincoats and sportswear. By looking at each section of the page which has the swatches of material on it, the buyer can tell at a glance what is on hand, what is on order, what was sold, etc. The buyer can tell at any time what the open to buy is, what is selling, what merchandise needs to be marked down, what merchandise to reorder, what not to reorder, and what the style trend is. All the information that he needs can be gotten from this book. It should be noticed that the styles do not change a great deal in men's clothing; so the buyer must observe mostly the color preferences, single or double breasted suit preference, and material preference. If he knows those three preferences, then he will be better equipped to order.

3.) Triplicate sales checks should be made. (See page 87.) Since, in most of these stores, there is a bookkeeper, it is advisable to make sales slips out in triplicate- one for the customer, one for the bookkeeper to keep a dollar record of sales, and one for the buyer for his unit control system. Each sales check should contain the following information:

a. Quantity of merchandise sold.

b. Style number of merchandise.

c. Description of merchandise.

d. Size.

e. Classification (regular, short, long).

f. Price.

If all these things are correctly recorded, the buyer will have an easy time checking the merchandise sold.

3.) A daily sales record should be recorded by the buyer according to the number of suits, topcoats, overcoats, raincoats, and jackets sold. (See page 61.) This book can list sales of the same day of the previous years on the same page, so that the buyer can tell at a glance whether or not he is increasing or decreasing his volume of business. He can also tell what classification is increasing or decreasing. By knowing these facts, the buyer is better equipped to buy.

4.) Ticket stubs are optional, depending upon whether

DATE_____

NAME_____
ADDRESS _____

QUAN.	STYLE	DESCRIPTION	SIZE	CLASSIFICATION	AMT.

SALES CHECK

or not the buyer wishes to check the accuracy of the salesman. If, for instance, the buyer notices a stub that does not correspond to the information given on the sales check, he can bring this matter to the salesman's attention. If the salesman is not able to correct the error, the buyer can check the rack under the price and size ranges. If the salesman is at fault, he is more likely to record the information accurately in the future.

As previously stated, this system of stub control is optional: because, if salesmen have been trained to record the correct information on each sales slip, they will not be apt to make mistakes. With a reliable sales force, this method is merely an added expense and a waste of time.

If the buyer has the information recorded in the lot or the swatch book and in the daily sales book record, and, in addition, information as to the length of reorder period, he can keep a good check on his merchandise.

Men's Furnishings

1.) A classification book should be used. Each page of this book should be headed by the name of the item. Some of the facts that have to be known under the different classifications are as follows:

a. Shirts

(1) Date

(2) Item - cloth

(3) Manufacturer

(4) Cost
(5) Retail
(6) Markup
(7) Style
(8) Plain cuff
(9) French cuff
(10) Color
(11) Size
(12) Sleeve length
(13) On hand
(14) On order
(15) Received
(16) Gross sales
(17) Credits
(18) Net sales

If shirts with french cuffs are not carried by this store, or if there is only one type of cloth carried, naturally, these items that are not in stock would not appear in the classification book. If all of the headings listed are required, however, more than one page would have to be used for each classification. For example, if the store has more than one type of cloth, such as broadcloth and madras, two pages in the classification book would be used, one for each fabric. Each page can then be broken into to factors listed above. In this way, the buyer can see immediately which shirts are selling best and which shirts need to be reordered. All the information that the buyer will want concerning the shirts will be easily available. (See page 90.)

b. Ties - The best way that ties can be recorded is by price, because there are too many different colors to list. Classifying ties by colors would entail too much time and effort. Thus, it can be seen that the price method is superior.

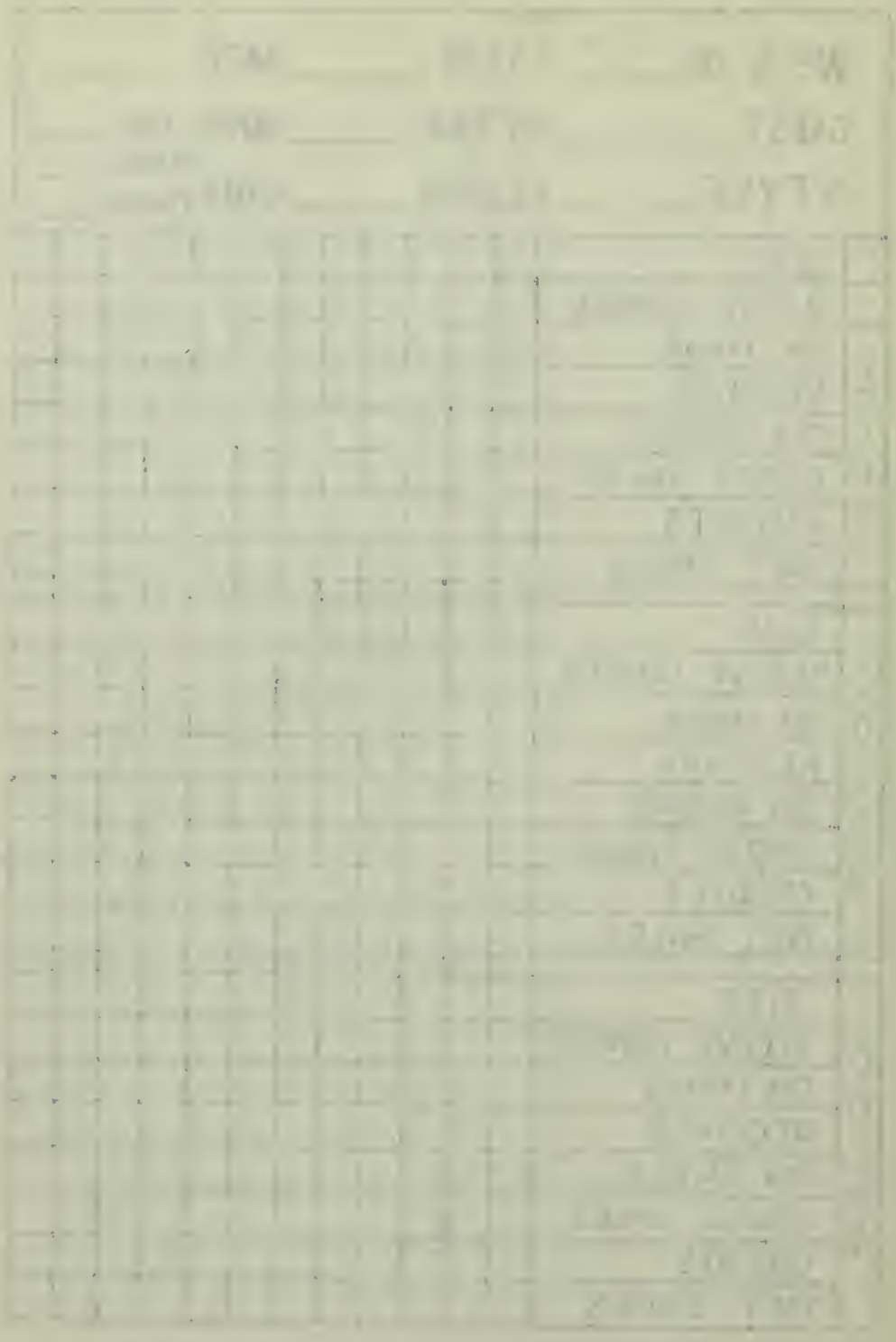
WEEK OF_____ ITEM_____ MFG._____

COST_____ RETAIL_____ MARK UP_____

STYLE_____ CLOTH_____ CUFF PLAIN____ FRENCH____

	SIZE													
	SLEEVE LENGTH													
COLOR	ON HAND													
	RECEIVED													
	ON ORDER													
	GROSS SALES													
	CREDITS													
	NET SALES													
COLOR	SIZE													
	SLEEVE LENGTH													
	ON HAND													
	RECEIVED													
	ON ORDER													
	GROSS SALES													
	CREDITS													
	NET SALES													
COLOR	SIZE													
	SLEEVE LENGTH													
	ON HAND													
	RECEIVED													
	ON ORDER													
	GROSS SALES													
	CREDTS													
	NET SALES													

SHIRT CLASSIFICATION SHEET



c. Shoes

(1) Style

(2) Size

(3) Color

(4) Price

If shoes were recorded in this manner, the buyer would have enough information to keep a satisfactory check on the merchandise.

d. Sport shirts

(1) Size - small, medium, large, extra large

(2) Price - A great deal of information is not required, because this is a seasonal item. It is necessary to know the price range that sells the best and the size that sells the best.

e. Pajamas

(1) Size

(2) Price

(3) Color - Color is not actually necessary here since there are so many of them.

f. Underwear

(1) Size

(2) Price

There is usually one basic style and one basic color in men's underwear in most stores; therefore, both of these classifications are unnecessary .

g. Stockings

(1) Size

(2) Price

(3) Cloths

(4) Lengths

The color is not necessary to record, for there are too many varieties.

h. Belts

(1) Size

(2) Price

If these classifications are recorded accurately and kept up to date, the buyer will have all the information necessary in running the men's furnishings department.

In the classification book, the buyer should keep this information on each of the articles recorded: the on hand figures, sales, received, on order, and total.

2.) Triplicate sales checks should be used. The reasons for keeping a triplicate sales check are the same as those mentioned on page 81. The same sales checks can be used as those previously described on page 81. There should be a slight change in the form, however. There should be an empty space on these sales slips for the purpose of recording any additional information that is miscellaneous.

In stores of this type, the buyer usually orders for both departments; and , therefore, he would take care of the sales slips from both departments. So, sales slips can be intermingled.

3.) The daily sales report should be kept. The reasons are the same as those on page 53.

This thesis has dealt with the problems of the small men's wear stores and the theoretical model stock plans. The purpose was to show exactly what the merchandise control is and what information a buyer or a merchandise manager can obtain from a system. I attempted to analyse all parts of the merchandise control in order to giver the reader an insight as to what this system involves. Dollar control and unit stock control were discussed. It was stated that dollar control contributes the following information: sales, inventory, turnover, initial markup amount, initial markup percentage, markdowns, markdown percentage, cumulative markup, gross margin amount, and gross margin percentage. I also tried to show what the merchandise plan is in dollars, and what the monthly open to buy involves. Unit stock control was then taken up. It was stated that a unit stock control system contributes the following information: what merchandise to order, in what quantity and at what prices; good sales promotion ; changing demand, such as the rise and decline of importance of a color; the maintaining of assortments for the customers' best selection; the slow selling items; and the reliability of the resources.

In Part V., there was a description of the merchandise controls used in department stores, chain specialty stores, specialty stores, and small men's wear stores. Each store discussed has shown a profit by the use of their systems. One has both the dollar control and the unit control systems with the dollar control predominant; one has only the

dollar control system with no visual record of a unit stock control system; another has both the dollar control and the unit control systems with the unit control predominant; and, finally, another has no definite controls at all.

This final section was an attempt to recommend a merchandise control system which will benefit the buyer of a small men's wear store. I have attempted to construct a system of control which is compact, easy to operate, and inexpensive. The system is a unit control and not a dollar control. It is my opinion that the buyers can get as much information from a unit control as from a dollar control and more. Additional pertinent facts can be secured: what to order, how much to order, and when to order.

The buyer of a small men's wear store does not have to apportion any money to the men's clothing or the men's furnishings section before buying. He checks to see what he needs to order, whether it be in the men's clothing section or in the furnishings section. Therefore, a dollar control is not needed; for, a dollar control is used mainly to apportion money among a number of departments or, as in a chain, a number of stores.

Having both a dollar control and a unit control for such a small operation would entail a large amount of work. The buyer, himself, would have to devote a great deal of time at clerical work; or else, another person would have to be hired. Since the operation is small, the proposed unit control system is adequate.

Since the buyer is on the floor most of the time, and since the operation is small, the system used has to be very simple and easy to operate. This proposed system is the most suitable.

I have tried to remove all guesswork and substitute facts. It is my hope that this control system will be of aid in running a small men's wear store on a successful basis.

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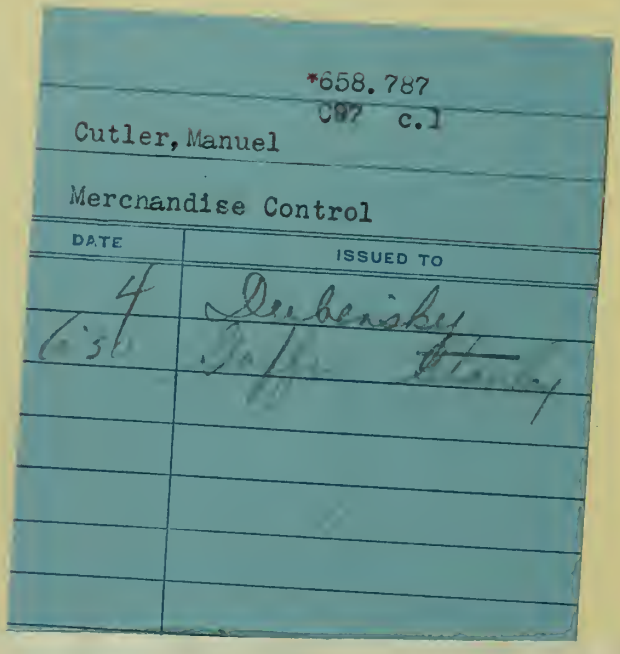
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